



**Director of
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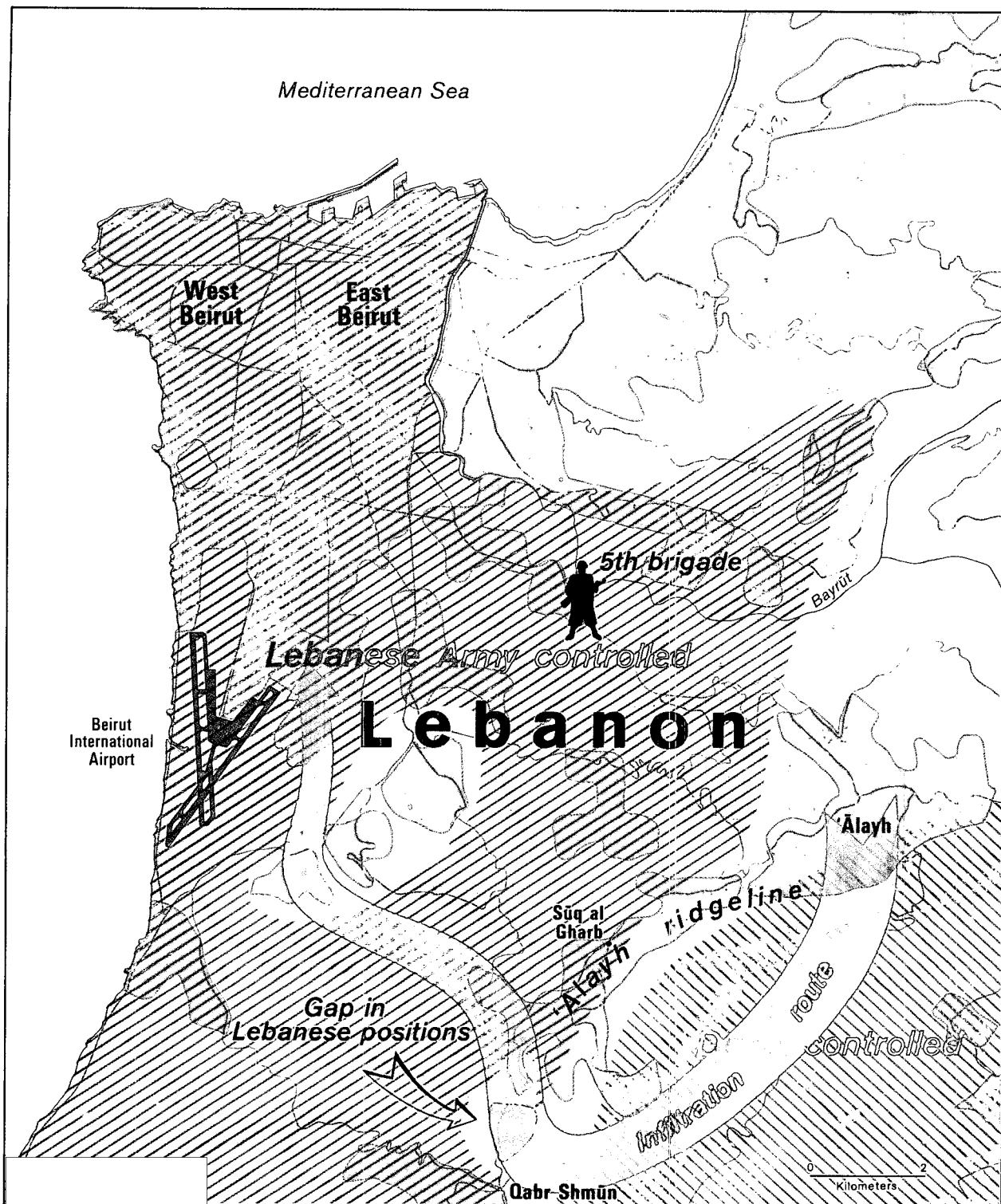
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LEBANON: Concern About Shia Uprising

The government has not yet issued orders to launch its planned offensive, and Shia Amal leader Barri is seeking to renew talks. []

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The US defense attache in Beirut reports that a senior officer of the Army's 5th Brigade believes that an operation to close the gap in the Alayh ridgeline would succeed in four to five hours. The officer was concerned, however, that the attack would provoke a general uprising in West Beirut which units assigned there would be unable to contain. As of yesterday, the 5th Brigade—one of four scheduled to participate in the offensive—had not received its operations order.

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A member of the Amal political bureau has warned the US Embassy of a full-scale Shia uprising in the southern suburbs if the Army launches an offensive along the ridgeline. He says moderate Amal militiamen would join with Shia "fanatics" rather than allow the government to cut them off from their coreligionists in the Bekaa Valley. He also claims that, to head off an offensive, Barri is pushing the government to resume negotiations on the security agreement.

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Comment: One possible objective of the planned offensive—to bring the government's opponents to the bargaining table—may be producing results. The absence of an operations plan for one of the military units earmarked for the attack suggests President Gemayel has not made a final decision to launch the operation. Barri's willingness to reopen talks on the security plan with the government may persuade Gemayel to postpone the offensive indefinitely.

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USSR: Reports on Andropov's Condition

Conflicting information on the health of General Secretary Andropov continues to be received. [redacted]

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The US Embassy in Moscow reports that Andropov's physical condition is declining and that he may not reappear in public. It notes that Andropov should have attended a party meeting on 27 January and that Moscow will not set a date for Yugoslav President Spiljak's visit. The Embassy also believes Polish Premier Jaruzelski will not be visiting the USSR because he cannot meet with Andropov. [redacted]

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Rumors are widespread that a party Central Committee plenum will be held next month to deal with personnel questions. A source of the Embassy claims that in December a plenum decided, on Andropov's recommendation, to replace him with party secretary Gorbachev. The source says RSFSR Premier Vorotnikov would become the premier of the USSR. [redacted]

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Comment: There are no firm indications that the leadership has prepared to replace Andropov, and the public buildup of his status continues. Moreover, the decision to replace Andropov would be made by the Politburo, not the plenum. [redacted]

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Andropov almost certainly has a serious health problem. [redacted]
[redacted] Nonetheless, the leadership continues to act as if he remains in charge. Gorbachev apparently began a vacation in Georgia in mid-January, suggesting that no leadership crisis is imminent. [redacted]

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FRANCE-CHAD-LIBYA: French Diplomatic Moves

Foreign Minister Cheysson will advocate a new reconciliation conference of warring Chadian leaders during his current visits to Chad, Ethiopia, and Libya. []

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The US Embassy in Paris reports Cheysson will tell Chadian President Habre that France will ask Ethiopian Chairman Mengistu to organize new talks under the auspices of the OAU in an African capital other than Addis Ababa. Mengistu's attempt to convene such a conference in Addis Ababa last month collapsed when Habre refused to attend. The Embassy believes Cheysson will warn Habre that he will lose French support if he boycotts a new conference. []

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In addition, the Embassy reports Cheysson will urge Libyan leader Qadhafi not to block reconciliation talks. The Foreign Minister also is expected to probe for direct negotiations between France and Libya on Chad and to determine the price Paris would have to pay to obtain a Libyan pullout. []

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Comment: President Mitterrand apparently wants to balance the recent buildup of French forces in Chad with a demonstration that he still prefers a negotiated settlement. Many senior officials, possibly including Mitterrand, are less sanguine than Cheysson about prospects for Chadian reconciliation and more wary of Libyan and Ethiopian intentions. Mitterrand may have concluded, however, that Cheysson's efforts at a minimum could help avoid an increase in the fighting. []

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The French want to avoid a military clash with Libya, which could damage their relations with the Arab world and provoke political controversy at home. On the other hand, Paris is anxious to maintain its military credibility with its African allies and demonstrate its determination to defend French interests. []

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There are signs of growing support in the French Government for direct talks with Libya, although Paris is unlikely to make major concessions to obtain a Libyan pullout. The French continue to mistrust Habre, but there is no indication that they are seriously considering an attempt to replace him. []

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IRAQ-IRAN: Military Tension

Iraq reportedly is planning to retaliate strongly both in the Persian Gulf and on the ground if Iran launches a new offensive. [redacted]

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Press reports indicate that on Tuesday and yesterday Iraq attacked an Iranian merchant convoy near Bandar-e Khomeyni. The Iraqis claim to have sunk eight ships. [redacted]

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Comment: The threat to escalate the war is a key element in President Saddam Husayn's diplomatic campaign to bring an end to the fighting. If there is a major Iranian attack, Saddam will be under pressure to follow through on his threats in order to maintain his credibility with the Iraqi military and Baghdad's allies. Some military leaders probably are becoming impatient with diplomatic efforts and are urging a more aggressive strategy. [redacted]

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If Iraq steps up the air war, Iran's Air Force will be hard pressed to defend key targets. Iran now has between 75 and 90 operational fighters, while Iraq has at least 300 operational fighter aircraft. [redacted]

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PHILIPPINES: Seeking Financial Help

Manila is soliciting financial assistance from other Asian capitals to cover its needs pending a new financial agreement with the IMF.

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China, according to its Embassy in Manila, last month agreed to supply the Philippines with \$140 million worth of crude oil on a deferred payment basis and provide a \$20 million credit to help buy other Chinese goods. In addition, the Bank of China agreed to deposit \$40 million in the Philippine Central Bank.

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The ASEAN states in mid-January agreed to reactivate a currency swap agreement with the Central Bank. This involves a dollar deposit of \$80 million.

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Comment: Most of the offers reflect regional concerns about political instability in the Philippines following the assassination of Benigno Aquino. China fears that any weakening of the US position there will strengthen Soviet influence in the region.

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The total, however, is only a small part of what Manila requires. Its trade financing has been cut by about half since October, when the payments moratorium on its commercial debt was announced. The impact of the foreign exchange shortage has been softened so far by the availability of raw materials and spare parts most businesses had in their inventories.

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Because of the delays in reaching agreements with the IMF and with commercial creditors, normal levels of trade financing have not been restored and inventories have fallen to unprecedentedly low levels. As a result, Manila is bracing for large cutbacks in manufacturing activities and worker layoffs.

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CHINA-UK-HONG KONG: Effort To Accelerate Talks

China is trying to speed up the pace of its talks with the UK on the future of Hong Kong by showing flexibility on less controversial issues.

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Beijing hopes to conclude an agreement before its self-imposed deadline of next September, and it has proposed holding talks every two weeks instead of once a month. British officials also report that at the session last week the Chinese readily accepted London's proposals for maintaining an independent judiciary, using expatriates, and implementing a uniform land leasing system for Hong Kong.

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The British doubt the deadline can be met and are not ready to be rushed into a resolution of the much more complex issues that remain. London hopes, in fact, to exploit Beijing's impatience to gain concessions on such key issues as government structure, security, and citizenship. The British also intend to push the Chinese eventually to sign a treaty to guarantee a settlement.

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Comment: The British probably have miscalculated the amount of leverage they have. Although the Chinese are anxious to demonstrate progress to ensure stability, they are unlikely to make the major concessions which may be necessary to conclude a settlement by September.

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At most, the two sides may be able to reach an agreement on a joint statement of principles later this year to stiffen Hong Kong's shaky confidence. Prime Minister Thatcher, moreover, could use such a statement to respond to any questions in Parliament about the status of the negotiations.

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WEST GERMANY-FRANCE: Summit Meeting

EC issues are likely to be the major topic at the meeting today between Chancellor Kohl and President Mitterrand, but bilateral trade and defense cooperation also will be discussed.

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Comment: The failure of the EC summit in Athens in December makes this meeting particularly important for the discussion of EC matters. Bonn is willing to remain the chief financial contributor to the EC, but it is unwilling to increase its funding substantially.

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Kohl is likely to question Mitterrand on French attitudes toward Spanish and Portuguese membership and on measures to limit spending. Mitterrand, on the other hand, is hoping mainly to sound Kohl out on German willingness to make financial concessions to prepare for the EC summit next month.

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Both leaders hope to reinforce West Germany's ties to the West at a time of new debate in that country over the ramifications of INF deployments. Kohl also views these meetings as a way to tie France more closely to the Atlantic Alliance.

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INDOCHINA: Results of Foreign Ministers' Meeting

The communique issued on Sunday at the eighth meeting of the Foreign Ministers of Vietnam, Laos, and Kampuchea demonstrates their continued inflexibility on Kampuchea and appears to tie progress on the MIA issue to US policy toward Indochina. []

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The statement, unlike the communique issued last year, made no announcement of a partial troop withdrawal from Kampuchea—instead expressing “hope” for a partial withdrawal. The Foreign Ministers reiterated Hanoi’s position that total withdrawal is contingent on ending “the Chinese threat” to Vietnam. They also ignored any possible negotiating role for the UN and criticized China and Thailand for their support of the Kampuchean resistance. []

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The meeting addressed the MIA issue for the first time, with the Ministers expressing their willingness to exchange information with one another and to cooperate with the US. Such assistance, however, would depend on Washington’s renunciation of its “hostile policy” toward Indochina. []

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Comment: The communique continues the hard line Hanoi adopted last fall, after it failed to extract concessions from ASEAN on the Kampuchean conflict. All four of the options offered on Sunday for a negotiated settlement require ASEAN and China to abandon their political and military support for the resistance. []

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The Vietnamese and the Laotians have been more forthcoming on the MIA issue over the past year. Nevertheless, by publicly addressing the MIA question and tying it to US actions in Indochina, the Ministers may hope to be able to use the issue as another means to put pressure on the US to reduce its support for ASEAN and Chinese policy on Kampuchea. []

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COSTA RICA-NICARAGUA: Refugee Problem

Anti-Sandinista leader Pastora's decision to send unarmed supporters to Costa Rica is creating political problems for San Jose. The US Embassy reports that some 275 of Pastora's volunteers arrived over the weekend, and press sources say the total could reach 1,000. President Monge's administration has announced it is willing to accept women, children, and older men as refugees. Those regarded as potential combatants, however, will be expelled to friendly countries willing to accept them. Pastora subsequently requested that these men be returned to him. []

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Comment: Pastora probably initiated the flow to dramatize both the following his movement enjoys and his need for greater outside support. The move, however, may hurt his cause in San Jose. Government officials there do not want to jeopardize Costa Rican neutrality or provoke Managua by giving sanctuary to anti-Sandinista insurgents. []

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UK-HUNGARY: Thatcher's Visit

Prime Minister Thatcher's three-day visit to Hungary, which begins today, is her first official trip to an East European country. The US Embassy in London reports that the visit is the beginning of a series of trips by British officials—which may culminate in a visit to USSR by Foreign Secretary Howe—intended to promote Western views on arms control, foreign policy, and human rights. The Embassy also reports that Thatcher plans this year to visit Romania and possibly Poland. []

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Comment: Thatcher wants the UK to be at center stage in European efforts to improve East-West relations. She probably scheduled her trip deliberately to precede those of West German Chancellor Kohl and Italian Prime Minister Craxi, who expect to travel to Eastern Europe in the near future. Thatcher presumably believes British voters want evidence that contacts with the East are continuing and that London is going forward with foreign policy initiatives independent of Washington's. The Hungarians welcome the opportunity to maintain the East-West dialogue during a time of strain in US-Soviet relations, and they are likely to be interested in discussing a possible trade agreement with the EC. []

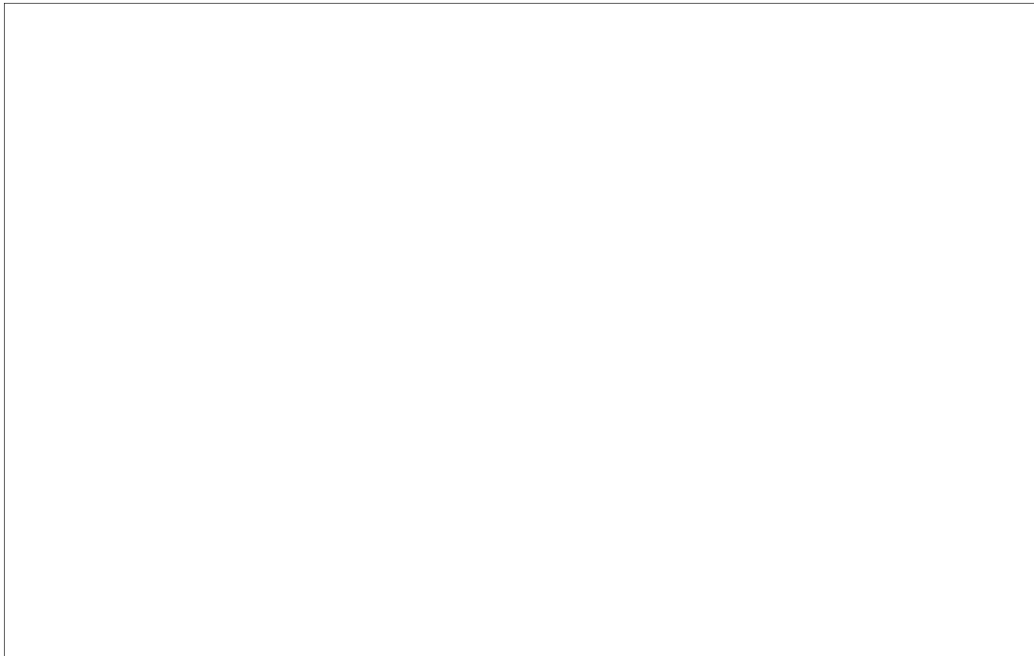
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USSR-OPEC: Increase in Reexport of Oil

Recently released Soviet trade data indicate that the USSR reexported about 250,000 barrels per day of oil from Libya, Iran, Iraq, and Saudi Arabia during the first nine months of last year. This was the first known time that the Soviets bought Saudi oil. The reexports accounted for about 20 percent of total Soviet oil exports to hard currency countries and for most of the estimated 13-percent increase in Soviet oil sales to the West last year. [redacted]

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Comment: The USSR reexported about 60 percent more Middle Eastern oil than during the same period in 1982. The four Middle Eastern exporters are paying off their debts to the USSR with oil that they would find difficult to sell as long as the international oil market stays soft. Moscow presumably welcomes payments that the financially strapped OPEC states otherwise would find difficult to make. The Saudi oil, which helps pay Iraqi debts to the USSR, is part of Riyadh's support for Baghdad in the war. [redacted]

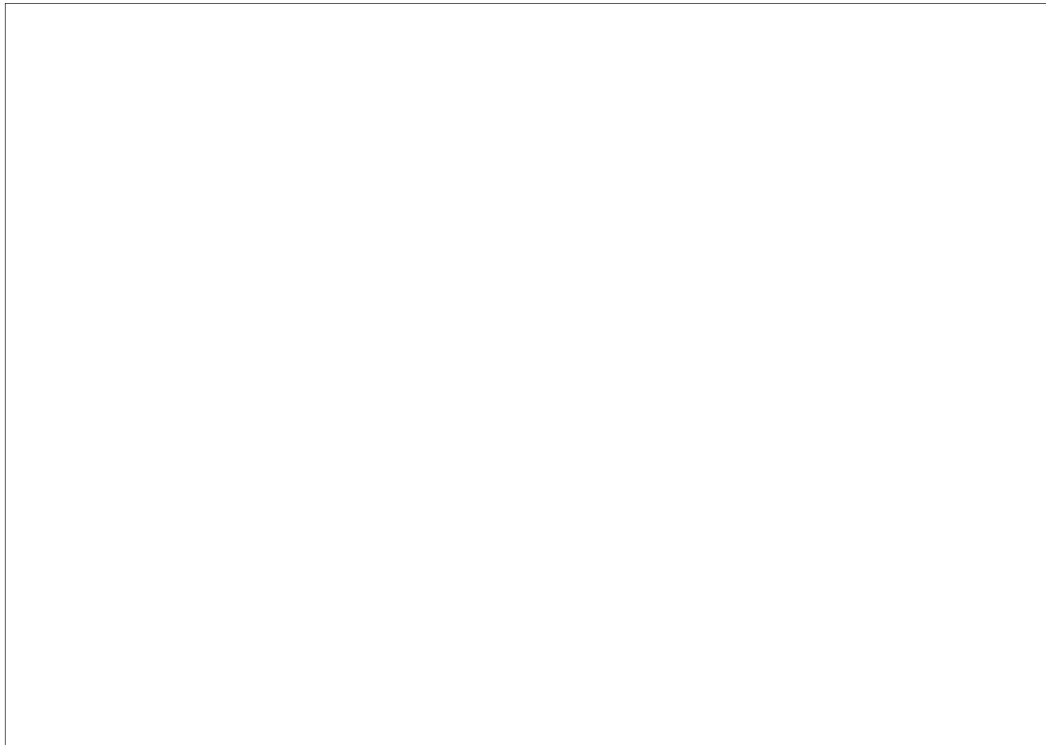
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JAPAN: New Computer Memory Chip

The electronics firm Toshiba on Monday announced the development of a 256K "static" random access memory chip. The new chip has four times as many transistors as the 256K dynamic random access memory chip recently introduced by Japanese and US companies. It uses a more complex "complementary metal oxide semiconductor" technology that offers substantial advantages. Toshiba expects to send samples to its customers this year and to begin large-scale production in 1985. [REDACTED]

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Comment: The Toshiba chip is the most complex memory device developed so far. It will enable the Japanese to maintain a lead of at least six months over their closest US competitors in memory chips and in complementary metal oxide semiconductor technology. This technology has a high potential for military applications and for future advanced memory chips. [REDACTED]

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Security Problems Facing El Salvador in the Upcoming Presidential Election

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Special Analysis

EL SALVADOR: Security for the Elections

The security situation in several areas of El Salvador appears to be somewhat worse than it was before the elections in 1982. The Army will have to take aggressive action if it is to provide adequate security, in currently contested areas, for the presidential elections scheduled for March. If it succeeds, high voter interest indicates the turnout may again be large.

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During the elections in 1982, no ballots were cast in about 30 of 261 municipalities. Most of these towns were in remote areas of the north long under insurgent control, but guerrilla attacks in Usulután prevented voting in the departmental capital and in several nearby towns. Turnout was generally high in other areas of the country, despite guerrilla harassment.

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Insurgent Tactics

Over the past year, the insurgents have been forming large, more mobile battalions in order to maneuver quickly against isolated targets and to deal with the government's light "hunter" battalions. Despite continued infighting among the various guerrilla factions, the degree of coordination has increased. They have gradually expanded the scale and scope of their attacks and have been able to rout several hunter battalions as well as overrun a brigade in its garrison.

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The guerrillas generally have held the initiative over the last five months, particularly in the north and east. They have seized many small towns and military outposts, forcing the government to withdraw its security detachments from large areas of Chalatenango, Morazan, San Miguel, La Unión, and Usulután Departments. The insurgents are not strong enough to hold most of these towns, however, and control of them shifts from one side to the other.

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The lack of a permanent government presence in these places enables the insurgents to claim that they control large areas of the country.

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Government's Response

The high command is trying to keep the insurgents off balance by increasing the pace of its operations, particularly in the east. As a result of earlier setbacks there, more competent and aggressive field commanders have been assigned to the region. The government also has begun a new offensive to secure Usulután Department as an extension of the "National Plan" that began last summer in San Vicente. []

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The Army still lacks enough forces to garrison towns that have been retaken, defend key economic and military installations, and at the same time pursue the guerrillas. In San Vicente, an effort has been made to supplement small security units with local civil defense forces. Lack of adequate arms and proper leadership have hindered these efforts, however, and the guerrillas have been able to reassert their authority in many communities. []

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The military, with considerable US assistance, is developing a comprehensive security plan for the elections. It wants to continue aggressive patrolling operations until shortly before the election date, when it will concentrate on static security. []

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The military hopes that the insurgents will not be able to recover quickly enough to launch coordinated attacks. It believes they do not have enough forces to conduct widespread, simultaneous operations. []

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Prospects

The government will have difficulty establishing adequate security in much of the north and east before the election. Under current conditions, the number of towns where voters are unable to cast their ballots may be double the number in 1982. Although the population has left many contested areas, the towns may still account for more than 10 percent of the potential voters. []

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The Army probably is correct, however, in estimating that the insurgents lack the strength and coordination to overrun most contested towns simultaneously. The guerrillas are unlikely to succeed in their efforts to control even most of the east, although they may challenge the Army by declaring a liberated zone there before the election. []

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Nevertheless, if the Army is willing to take some last-minute risks by dispersing its forces into small security detachments at balloting sites, and if the insurgents refrain from a large-scale offensive on election day, voter turnout may again be heavy. Preliminary polls indicate that interest in the election is high and that most voters plan to go to the polls. []

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